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## UNITED STATES DEPARTMENT OF AGRICULTURE

## AGRICULTURAL ADJUSTMENT ADMINISTRATION

WASHINGTON, D. C.

**SHALL THE BANKHEAD ACT BE CONTINUED THROUGH  
1935?**

Whether the Bankhead Cotton Control Act will be made effective for 1935 will depend upon the outcome of a referendum of cotton producers which will be held throughout the South.

The question which will be submitted to those eligible to participate in the referendum is:

"Are you in favor of continuing the Bankhead Act for next year (June 1, 1935, to May 31, 1936)?"

In a footnote to the above question as stated on the ballot is the explanation that "continuance of the Bankhead Act means that a tax will continue to be levied on the ginning of cotton in excess of an allotment made to meet the probable market requirements." Attached to the ballot will be a statement from the Secretary of Agriculture, urging cotton producers to consider carefully all the facts and "reach a decision based upon considered judgment as to whether the Bankhead Act is needed to assure attainment of the objectives of the cotton-adjustment program."

Points that should be borne in mind by cotton farmers in determining their votes on continuing the Bankhead Act for 1935-36 include:

1. Irrespective of the decision of cotton farmers on the Bankhead Act, the 1935 cotton-adjustment program with its rental and parity payments to voluntary cooperators will continue. The Secretary of Agriculture has announced that, under the terms of the 1934-35 cotton acreage reduction contract, he will continue the program into the 1935-36 season.

Moreover, cotton producers who did not sign a 1934-35 cotton acreage reduction contract last spring will be given the opportunity to join the cotton-adjustment program for the 1935 season.

2. It is the estimate of the Agricultural Adjustment Administration that, under the voluntary cotton-adjustment program but without the Bankhead Act in effect for the 1935-36 crop year, total production probably would be about one million bales more than total production would be if the Bankhead Act were in effect.

3. Surplus tax-exemption certificates, that is, certificates for the 1934-35 season which remain in the hands of the producers, can be



used for the 1935-36 season in the event the Bankhead Act is made effective for that season. Such certificates as are outstanding at the end of the cotton-ginning season will be recalled and in their stead new certificates of a different color and appearance will be issued for the 1935-36 season in the event the Bankhead Act is made effective for 1935.

4. The total allotment under the Bankhead Act for 1935-36, in the event it is made effective, is not fixed in the Act but will be determined by the Secretary of Agriculture after investigation of the available supply and probable market requirements and a determination of "the quantity of cotton that should be allotted, in accordance with the policy declared in section 1."

5. In the event the Bankhead Act is made effective for 1935-36, and after the total allotment is fixed, individual allotments will be made, under the terms of the Act, upon one of the bases hereafter outlined; and the Secretary of Agriculture, in determining the manner of allotment to individual farmers, will provide that the farmers who have reduced their cotton acreage voluntarily shall not be penalized in favor of those farmers who have not done so.

6. Those having a right to express themselves upon the question as to whether the Bankhead Act shall be effective for the 1935-36 season are defined in the Act as those persons "who have the legal or equitable right as owner, tenant, share-cropper, or otherwise to produce cotton on any cotton farm, or part thereof, in the United States" for the crop year 1935-36.

## I. THE PURPOSE OF THE ACT

The Bankhead Cotton Act, approved April 21, 1934, levied and assessed a tax (of 50 percent of the average central market price) upon the ginning of that portion of the cotton producer's 1934 crop in excess of his individual allotment. It was determined by the Secretary of Agriculture, under the terms of the Act, that the amount of the tax for the 1934 season was 5.67 cents per pound on the cotton produced in excess of allotments.

The purpose of the Act, as it states, is to place the cotton industry on a sound commercial basis, to prevent unfair competition and practices in putting cotton into the channels of interstate and foreign commerce, and to balance production and consumption of cotton more effectively.

The Bankhead Act itself required that the tax on cotton marketed in excess of individual allotments must be in effect for the crop year 1934-35 but it provides that the tax shall be in effect for the 1935-36 crop year only (sec. 2) "if the President finds that the economic emergency in cotton production and marketing will continue or is likely to continue to exist" and (section 3 (a)), if the Secretary of Agriculture finds "that two-thirds of the persons who have the legal or equitable right as owner, tenant, share-cropper, or otherwise to produce cotton on any cotton farm, or part thereof, in the United States for such crop year favor a levy of a tax on the ginning of cotton in excess of an allotment made to meet the probable market



requirements and determines that such a tax is required to carry out the policy declared in section 1.”<sup>1</sup>

## II. ACT INTENDED TO SUPPLEMENT VOLUNTARY ADJUSTMENT

The Bankhead Act was passed by Congress to supplement and not to supplant the voluntary acreage-adjustment programs under the Agricultural Adjustment Act. For the 1934-35 marketing year it fixed a national quota of 10 million 500-pound bales of cotton. It charged the Secretary of Agriculture with the duty of allotting as quotas to the cotton-producing States “the number of bales the marketing of which may be exempt from the tax herein levied, which shall be determined by the ratio of the average number of bales produced in each State during the 5 crop years preceding the passage of this Act<sup>2</sup> to the average number of bales produced in all the States during the same period.”

After quotas were apportioned among the States, county quotas were determined (with exceptions under certain circumstances as set forth in the Act) upon the same basis as that upon which the total quota fixed in the Act was apportioned among the States. Individual producers' quotas, upon proper application, were finally determined upon a basis prescribed in the law. The result was that under the terms of the act each individual cotton producer was issued tax-exemption certificates permitting the marketing, tax-free, of his fair pro rata share of the 10 million bales thus allotted in accordance with the provisions for equitable distribution of the national quota. If the individual producer grew cotton in excess of the allotment, there were three courses open to him: First, he could sell the cotton by paying the tax under the terms of the act and regulations issued pursuant thereto; or, second, he could purchase tax-exemption certificates sufficient to cover such sales, either through a national pool established and operated by the Agricultural Adjustment Administration or from a producer within his county who had excess certificates. All transfers were required to be made through the offices of the county assistants in cotton adjustment. Four cents per pound was fixed as the uniform price at which tax-exemption certificates could be sold and purchased or transferred. Finally, the producer could store his excess cotton subject to a lien for the amount of the tax.

The total quota for the 1934-35 crop year as fixed in the Act was 10 million 500-pound bales, or 10,460,251 bales of 478 pounds net weight.

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<sup>1</sup> “DECLARATION OF POLICY.—That in order to relieve the present acute economic emergency in that part of the agricultural industry devoted to cotton production and marketing by diminishing the disparity between prices paid to cotton producers and persons engaged in cotton marketing and prices of other commodities and by restoring purchasing power to such producers and persons so that the restoration of the normal exchange in interstate and foreign commerce of all commodities may be fostered, and to raise revenue to enable the payment of additional benefits to cotton producers under the Agricultural Adjustment Act—

“It is hereby declared to be the policy of Congress to promote the orderly marketing of cotton in interstate and foreign commerce; to enable producers of such commodity to stabilize their markets against undue and excessive fluctuations, and to preserve advantageous markets for such commodity, and to prevent unfair competition and practices in putting cotton into the channels of interstate and foreign commerce, and to more effectively balance production and consumption of cotton.”

<sup>2</sup> 1928 to 1932, inclusive.



Production for the entire Cotton Belt for the 1934-35 crop year was 9,443,000 bales of 478 pounds net weight, according to the October 1 crop estimate. Because production was below the quota fixed under the Bankhead Act, some States had tax-exemption certificates in excess of their actual production while the total production of other States was in excess of the total number of tax-exemption certificates issued to producers within those States. Within every cotton State there are some producers whose total production was in excess of their allotments while other producers had certificates to cover more than their actual production.

### III. CERTIFICATE POOL ESTABLISHED FOR GROWERS

To meet this situation the national Surplus Cotton Tax-Exemption Certificate Pool was established. The purpose of this pool is to facilitate sales and purchases of surplus tax-exemption certificates issued under the Bankhead Act and to prevent speculation in certificates and sharp practices in obtaining them. Four cents per pound was fixed as the uniform price for which the certificates could be sold and purchased. It was announced that when the pool is closed all funds on hand from the sale of surplus certificates will be distributed among producers placing certificates in the pool and each producer will receive his share in the proportion that the poundage surrendered by him bears to the total poundage in the national pool. In addition, each producer will be returned his pro rata share of the unsold certificates, which may be used for the 1935-36 crop year in the event the Bankhead Act is effective for that year.

The operation of the pool, in addition to local sales that were permitted, meant that farmers who did not produce amounts of cotton equal to their allotments were able to realize some cash return by selling their tax-exemption certificates either through the pool or to other producers in their county, thus providing a form of "crop insurance" to those whose cotton production had been curtailed by drought or other natural causes.

### IV. QUESTION OF CONTINUING ACT

Whether the Bankhead Act shall be made effective for the crop year 1935-36 will be decided by the cotton producers themselves. Under the Act, as heretofore stated, the Secretary of Agriculture is required to find that two-thirds of the persons eligible to participate in the production of cotton favor its continuance before it can be made effective. Accordingly, cotton producers will be given the opportunity to express themselves on the question of whether they favor the levying of a tax on cotton produced in excess of the allotments for the 1935-36 season.

In determining this question, cotton producers should recognize that there are essential differences in the application of the Bankhead Act for 1935-36 and its application for the current 1934-35 season.

The chief difference is the fact that the national quota for 1935-36 is not fixed in the Act but under the Act is to be determined by the Secretary of Agriculture after an investigation of the available



supply of cotton and the probable market requirements. The maximum amount of cotton that could be marketed tax-free in the 1934-35 season was fixed by the act at 10 million 500-pound bales.

In the event the Bankhead Act is made effective for the 1935-36 season, individual allotments will be made to cotton producers upon one of the two following bases: (1) "Upon such basis as the Secretary of Agriculture deems fair and just, and will apply to all farms to which the allotment is made under this paragraph uniformly, within the county, on the basis or classification adopted." (2) "By ascertaining the amount of cotton the farm would have produced during a fair representative period if all the cultivated land had been planted to cotton, and then reducing such amount by such percentage (which shall be applied uniformly within the county to all farms to which the allotment is made under this paragraph) as will be sufficient to bring the total of the farm allotments within the county's allotment." The Act further provides that, as in the case of this year, the Secretary of Agriculture "shall provide that the farmers who have voluntarily reduced their cotton acreage shall not be penalized in favor of those farmers who have not done so."

It is reasonable to hope that making individual allotments upon one of the bases above stated, which allow the Secretary to afford producers the benefits of this year's experience in providing equitable adjustments of such allotments, will lead to bringing these allotments more nearly into line with the individual's total permitted production under the voluntary contracts.

Instructions and forms to those charged with the duty of obtaining the opinion of cotton producers are being prepared. For further details of the referendum on the question of whether the Bankhead Act shall be made effective for the 1935-36 crop year see your cotton committeeman, vocational agriculture teacher, or county agent.



# V. COTTON PRODUCTION, SELECTED COUNTRIES AND WORLD TOTAL, 1921-22 TO 1934-35

[Revised as of Oct. 29, 1934]

Year	United States	India	Egypt	China <sup>1</sup>	Russia	Brazil	Peru	Mexico	Argentina	Uganda	Chosen	Anglo-Egyptian Sudan	Other foreign countries	Total foreign countries	World total
1921-22	1,000 7,945 478-lb. bales	1,000 3,752 478-lb. bales	1,000 902 478-lb. bales	1,000 1,514 478-lb. bales	1,000 43 478-lb. bales	1,000 504 478-lb. bales	1,000 186 478-lb. bales	1,000 147 478-lb. bales	1,000 17 478-lb. bales	1,000 40 478-lb. bales	1,000 82 478-lb. bales	1,000 20 478-lb. bales	1,000 248 478-lb. bales	1,000 7,455 478-lb. bales	1,000 15,400 478-lb. bales
1922-23	9,755	4,245	1,391	2,318	55	553	193	202	26	74	103	24	355	9,545	19,300
1923-24	10,140	4,320	1,353	1,993	196	576	212	175	59	108	112	38	418	9,560	19,700
1924-25	13,630	5,095	1,507	2,178	453	793	212	196	67	164	123	41	541	11,370	25,000
1925-26	16,105	5,201	1,650	2,102	782	602	210	200	135	151	123	106	533	11,795	27,900
1926-27	17,978	4,205	1,585	1,742	830	512	246	360	58	110	143	130	500	10,422	28,400
1927-28	12,955	4,990	1,261	1,875	1,096	509	246	179	115	116	133	111	413	11,044	24,000
1928-29	14,477	4,838	1,672	2,456	1,174	446	225	278	118	171	150	142	643	12,323	26,800
1929-30	14,825	4,287	1,768	2,116	1,279	583	303	246	150	108	139	139	457	11,675	26,500
1930-31	13,932	4,373	1,715	2,250	1,589	471	271	178	139	158	149	106	469	11,868	25,800
1931-32	17,095	3,358	1,323	1,785	1,843	575	234	210	169	173	101	206	418	10,405	27,500
1932-33	13,001	3,806	1,028	2,261	1,778	448	242	102	150	247	136	121	290	10,699	23,700
1933-34	13,047	4,159	1,819	2,726	1,889	969	276	228	-----	218	147	135	-----	13,053	26,100
1934-35 <sup>2</sup>	9,443	-----	1,702	2,928	-----	-----	-----	200	-----	-----	-----	-----	-----	-----	-----

<sup>1</sup> Estimates of Chinese Mill Owners' Association and the Chinese Cotton Statistical Association.

<sup>2</sup> Preliminary.

Bureau of Agricultural Economics. Compiled from official sources, International Institute of Agriculture, and estimates of the Bureau of Agricultural Economics, except as noted.



VI. ACREAGE, PRODUCTION, CARRY-OVER, SUPPLY, AND CONSUMPTION OF AMERICAN COTTON, 1921-22 TO 1934-35

Year	Acreage	Production	Carry-over	Total supply	Consumption <sup>1</sup>								India	Other	
					Total	United States	United Kingdom	Japan	Germany	France	Italy	China			Russia
	1,000 acres	1,000 bales <sup>2</sup>	1,000 bales <sup>2</sup>	1,000 bales <sup>2</sup>	1,000 bales <sup>2</sup>	1,000 bales <sup>2</sup>	1,000 bales <sup>2</sup>	1,000 bales <sup>2</sup>	1,000 bales <sup>2</sup>	1,000 bales <sup>2</sup>	1,000 bales <sup>2</sup>	1,000 bales <sup>2</sup>	1,000 bales <sup>2</sup>	1,000 bales <sup>2</sup>	1,000 bales <sup>2</sup>
1921-22-----	28,678	7,945	9,393	17,338	12,755	5,613	2,275	796	911	799	573	132	27	54	1,575
1922-23-----	31,361	9,755	5,162	14,917	12,665	6,322	1,919	723	734	790	601	110	122	26	1,268
1923-24-----	35,550	10,140	3,304	13,444	11,100	5,353	1,695	579	696	700	547	78	212	4	1,236
1924-25-----	39,503	13,630	2,705	16,335	13,270	5,917	2,344	689	916	806	639	71	309	12	1,567
1925-26-----	44,390	16,105	3,386	19,491	13,736	6,176	2,093	882	884	835	712	120	273	10	1,751
1926-27-----	44,616	17,978	5,495	23,473	15,777	6,880	2,077	1,132	1,214	825	680	274	390	350	1,955
1927-28-----	38,349	12,956	7,696	20,652	15,407	6,535	1,949	1,078	1,276	829	707	297	493	138	2,105
1928-29-----	42,432	14,477	5,114	19,591	15,066	6,778	1,910	1,100	1,024	824	745	279	390	52	1,964
1929-30-----	43,242	14,825	4,421	19,246	13,015	5,803	1,474	1,092	923	728	694	292	283	43	1,713
1930-31-----	42,454	13,932	6,287	20,219	10,901	5,084	991	931	719	710	476	362	52	52	1,524
1931-32-----	38,705	17,095	8,868	25,963	12,316	4,744	1,342	1,563	863	571	559	883	-----	190	1,601
1932-33-----	35,939	13,001	12,960	25,961	14,171	6,004	1,400	1,772	923	766	677	748	30	135	1,716
1933-34-----	29,978	13,047	11,588	24,635	13,539	5,554	1,461	1,781	1,056	749	639	417	60	40	1,782
1934-35 <sup>3</sup> -----	27,241	9,443	10,634	20,077	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

<sup>1</sup> International Federation of Master Cotton Spinners' and Manufacturers' Associations except as corrected for revised Bureau of the Census figures for consumption in the United States.  
<sup>2</sup> Production in bales of approximately 500 pounds gross or 478 pounds net. Consumption and carry-over in running bales (which average something like 500 pounds) except consumption in China, which is reported in 500-pound bales.  
<sup>3</sup> Preliminary.

Bureau of Agricultural Economics.



## SHALL THE BANKHEAD ACT BE CONTINUED THROUGH 1935?

If the Bankhead Act is to continue in operation in the next crop year the Secretary of Agriculture must first find that two-thirds of the persons who have the legal or equitable right as owner, tenant, or share-cropper, or otherwise to produce cotton on any cotton farm, or part thereof, in the United States for such crop year favor a levy of a tax on the ginning of cotton in excess of an allotment made to meet the probable market requirements.

Cotton farmers are being asked to express their opinion as to whether the Bankhead Cotton Control Act should be made effective for the 1935-36 crop year. In submitting this question, it is the desire of the Agricultural Adjustment Administration that cotton producers shall have possession of all available facts to guide them in reaching a decision. The choice is theirs and the Adjustment Administration is in no sense seeking to impose its views upon farmers to influence their decision.

Cotton farmers must decide whether, in their opinion, the adjustment of cotton production under the voluntary contracts is sufficient to meet the requirements of the present emergency. Will the efforts of a small minority of noncooperators, the tendency toward more intensive cultivation, and the possibility of new lands coming into cotton production combine to increase total production above the point which seems desirable? That, it appears, is the central question involved in a decision on continuing the Bankhead Act for next year. Or, stated in another way: Do cotton producers want the mechanism afforded in the Bankhead Act as a supplementary control to the current efforts under the Agricultural Adjustment Act?

Cotton farmers have had one season's experience with the type of control embodied in the Bankhead Act. Numerous difficulties, obviously, have been encountered. It is reasonable to expect that, with more latitude in the Act for the coming year, many of these difficulties can be avoided. But it is for the cotton farmer to choose.

It is my hope that cotton producers will examine carefully all the facts and reach a decision based upon considered judgment as to whether the Bankhead Act is needed to assure attainment of the objectives of the cotton-adjustment program.

*H. Wallace*  
Secretary of Agriculture.